

# State of Utah

High Velocity Economic Development  
(Performance-based Funding for Tourism)

January 13, 2006



*Whenever you travel, you should always have a forever moment.*

- Spaulding Gray in Swimming to Cambodia



# Utah Office of Tourism

## Tourism Mission Statement

To improve the quality of life of Utah citizens through revenue and tax relief, by increasing the quality and quantity of tourism visits and spending.

## Tourism Mantra

Create great experiences

## Metrics:

1. Total tourism spending
2. Number of visitors
3. Length of stay
4. Increase repeat visits



# Travel and Tourism Statistics

- Traveler spending rose an estimated 9.9% in 2005 to \$5.45 billion in the Utah economy
- Traveler spending is estimated to have generated \$433 million in state and local tax revenues
  - Approximately \$494 per Utah housing unit, an increase of 6.9% compared to 2004
- Estimates of non-resident tourism arrivals increased 4.0% to 18.2 million



# Travel and Tourism Statistics

- Estimated 119,900 jobs in travel and tourism-related industries (approximately 10% of total Utah non-farm jobs)
  - 82,400 Direct tourism jobs
  - 37,500 Indirect tourism jobs
- Tourism accounts for more than 20% of total non-farm employment in 10 counties
  - Daggett - 57.8%
  - Grand – 46.9%
  - Garfield – 43.5%
  - Summit – 43.2%
  - Kane – 36.9%

Source: Utah Office of Tourism; Governor's Office of Planning & Budget; Utah Department of Workforce Services



# Travel and Tourism Statistics

## Preliminary visitation estimates for 2005

- 5.3 million visits to Utah's five National Parks
- 5.0 million visits to Utah's seven National Monuments, two National Recreation Areas, and one National Historic Site
- 4.4 million visitors enjoyed Utah's 41 state parks
- 22.8 million vehicles crossed Utah's borders along Interstate highways
- 3.9 million skier days during the 2004/05 season (surpassed the record set in the 2003/04 season)
- 65.3% statewide hotel/motel occupancy rate compared to 60.8% in 2004

Source: Utah Office of Tourism; Governor's Office of Planning & Budget; Utah Department of Workforce Services, National Park Service; Department of Natural Resources; Ski Utah; Utah Department of Transportation; Rocky Mountain Lodging Report



# Travel and Tourism Statistics

Preliminary estimates for 2005

- 592,420 visitors stopped at one of Utah's six welcome Centers during 2005
- 29,475 phone calls answered by real people
- 2.2 million unique visitors on the Utah.com website
- 38,068 travel guides distributed to individuals
  - An additional 26,133 lbs. of travel guides shipped bulk mail to Chambers of Commerce, Welcome Centers, AAA Offices, Travel Agencies, etc.

Source: Utah Office of Tourism; Utah.com



# The Tourism Marketing Performance Account (TMPA):

- Not a tax increase
- Does not affect TRT or TRCC – Does not involve county or city tax revenue
- A small percentage in the GROWTH of STATE sales tax revenue from tourism-related businesses is reinvested each year in tourism marketing





# How the Tourism Marketing Performance Account (TMPA) works:

- Separate from the Division's \$3.9 million operating budget is the Tourism Marketing Performance Fund which is dedicated to marketing and promotion
- The fund begins with an allocation of \$10 million from the General Fund
  - In each subsequent year, the allocation from the General Fund will be reduced by \$1 million



# How the Tourism Marketing Performance Account (TMPA) works:

## ➤ Tax revenues from specific businesses that serve travelers will be identified using codes from the North American Industry Classification System (NAICS):

- 453 Miscellaneous Store Retailers (Souvenir, Gift, Antique Shops, etc.)
- 481 Passenger Air Transportation
- 487 Scenic and Sightseeing Transportation
- 711 Performing Arts, Spectator Sports and Related Industries
- 712 Museums, Historical Sites and Similar Institutions
- 713 Amusement and Recreation Industries
- 721 Accommodations
- 722 Food Services and Drinking Places
- 4483 Jewelry, Luggage, and Leather Goods Stores
- 4853 Taxi and Limousine Service
- 4855 Charter Bus
- 5616 Travel Arrangement and Reservation Services
- 44611 Pharmacies and Drug Stores
- 45111 Sporting Goods Stores
- 45112 Hobby Toy and Game Stores
- 45121 Book Stores and News Dealers
- 445120 Convenience Stores without Gas Pumps
- 447110 Gasoline Stations with Convenience Stores
- 447190 Other Gasoline Stations
- 532111 Passenger Car Rental
- 532292 Recreational Goods Rental



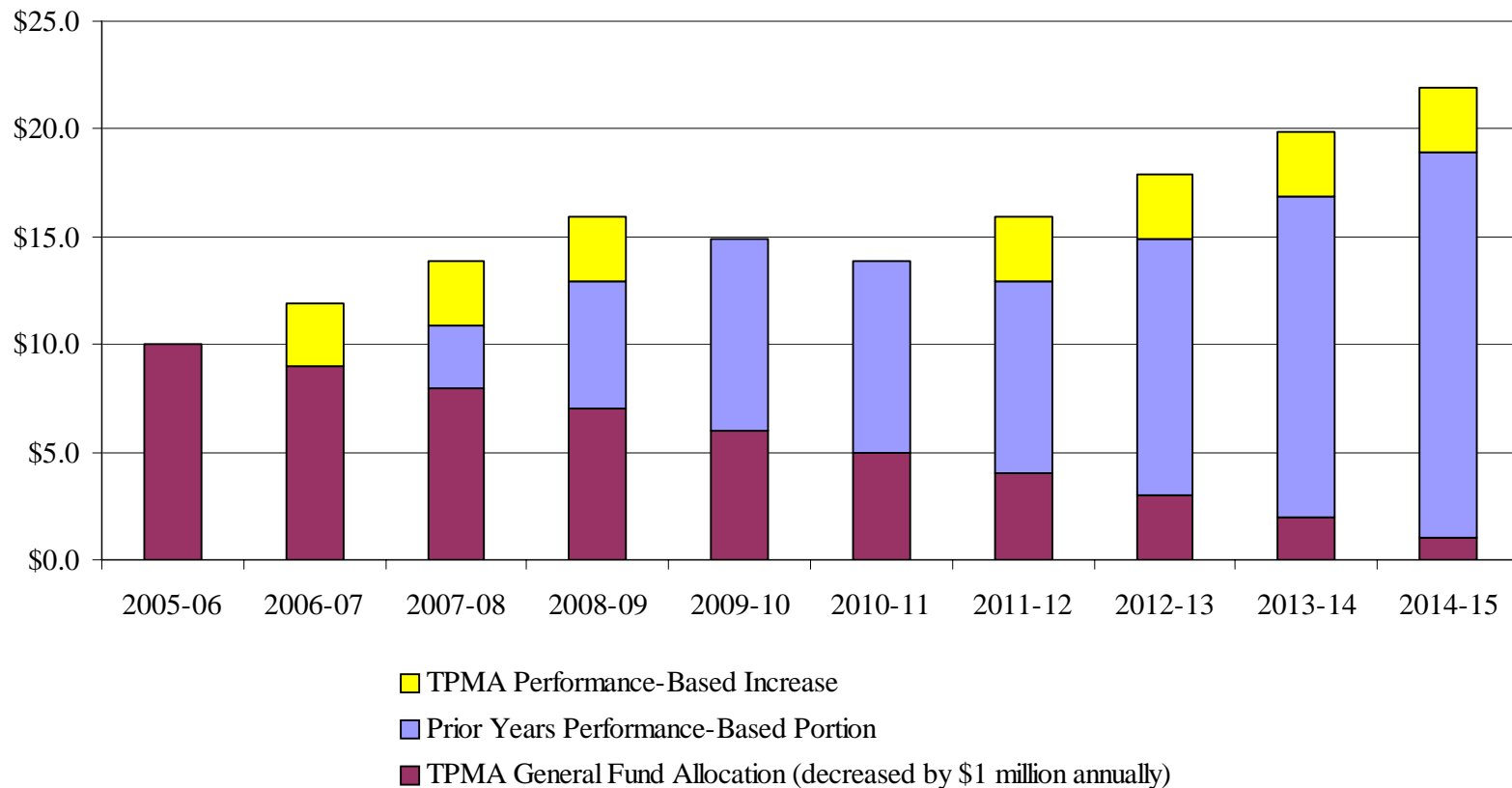
# How the Tourism Marketing Performance Account (TMPA) works:

- Assume that state sales tax revenues from each of those industries will grow by at least 3% each year
- State sales tax revenues from two and three years prior to the year of allocation are compared to each other
- The TMPF receives  $\frac{1}{2}$  of the GROWTH in state sales tax revenue above the 3% level each year (performance-based increase)
- Current year performance-based increase + cumulative prior years performance based portion + reduced general fund allocation = total amount in the TMPF each year
- If the growth fails to exceed the 3% level, the agency receives the same total amount as the previous year
- The performance-based increase in the TMPF cannot grow by more than \$3 million in any single year



# How the Tourism Marketing Performance Account (TMPA) works:

## Tourism Marketing Performance Account Projected Branding Budget



# How the Tourism Marketing Performance Account (TMPA) works:

- 7.5% of the account will be annually distributed to a sports organization for:
  - Advertising
  - Marketing
  - Branding
  - Promoting Utah

to attract sporting events into the state

- The sports organization must be a 501(3)(c) federal tax exempt organization



# How the Tourism Marketing Performance Account (TMPA) works:

- 20% of account used for co-operative promotion...
- Leverage promotion efforts of cities, counties, and non-profit destination marketing organizations
  - Voluntary participation
  - Common markets and objectives
  - Unified messaging



# Legislation

- Hope to maintain current base budget of \$3.9 million
- Currently have \$8 million in Tourism Marketing Performance Account
- Push for additional \$1 million to be restored
- Performance-based portion to be calculated by State Tax Commission
  - Based on performance of tourism-related industries
  - Currently assume that the performance-based portion will be \$3 million



# After giving your investment 18 to 24 months to take effect...the likely impact of a \$10 million *visitor investment* would be:

- Additional 3.8 million visitors annually would spend additional \$1.08 billion each year for Utah businesses!
- Additional \$86.4 million of tax revenue annually!
  - State Tax Revenues: \$63.6 million
  - Local Tax Revenues: \$22.8 million

Source: *FY03 Utah Advertising Effectiveness Study*, NFO Plog Research, August 2003

- Utah would also maintain or increase its market share





# WHO BENEFITS (after the investment has had 18-24 months to take effect)?

## ➤ **Utah Citizens**

- Reduced annual tax burden of an additional \$105 per housing unit (in addition to the \$494 in reduced taxes per housing unit that tourism is already providing)
- Statewide distribution of an additional 13,333 jobs would be created (in addition to over 100,000 jobs already existing due to tourism)

## ➤ **State Government**

- Additional \$63.6 million in tax revenues annually for transportation, education, and other General Fund needs
- High velocity economic development
- Enhanced reputation for high quality of life could also lead to new businesses re-locating here



# WHO BENEFITS (after the investment has had 18-24 months to take effect)?

## ➤ Local Government

- Additional \$22.8 million in annual tax revenues for local needs
- Revenue generation without significantly expanded services
- Diversified economic base
- Enhanced community pride

## ➤ Utah Tourism Industry

- Increased traveler spending by \$1.08 billion annually (compared to current traveler spending amounts)
- Increased ROI
- Branding message complements destination marketing
- Improve workforce quality
- Reduce seasonal fluctuations

Utah Office of Tourism



# Key Points to Remember

- Tourism is a fantastic investment!
- Focus on the objective – invest in tourism because it's high-velocity economic development
- Supporting this legislation won't require a tax increase, but it could ultimately generate an additional \$63.6 million annually for the General Fund
  - This money can help pay for education, roads, and other necessary programs



# Performance-Based Funding

## Supportive Organizations

Utah Tourism Industry Coalition  
Utah Dept. of Community & Economic Development  
Utah Hotel & Lodging Association  
Utah Association of Counties  
Utah Travel Regions Association  
Utah Small Cities, Inc.  
Utah Campground Owners Association  
Utah Guides & Outfitters  
Governor's Rural Partnership Board  
Moab Area Travel Council  
Rural Development Legislative Liaison Committee  
St. George Area Convention & Visitors Bureau  
Salt Lake Area Chamber of Commerce  
Salt Lake Valley Lodging Association  
Heber Valley Chamber of Commerce  
Ogden-Weber Convention & Visitors Bureau  
Marriott International  
Box Elder County Economic Development & Tourism  
Cedar City-Brian Head Tourism & Convention Bureau  
St. George Area Chamber of Commerce  
Davis Area Convention & Visitors Bureau  
Utah Shakespearean Festival  
Salt Lake Downtown Alliance  
Park City Lodging Association  
Utah Valley Convention & Visitors Bureau

Governor's Office of Economic Development  
Utah Office of Tourism  
Utah Ski & Snowboard Association  
Utah Restaurant Association  
Utah Sports Commission  
Utah Tour Guide Association  
Utah Air Travel Commission  
Utah State Chamber of Commerce  
Workforce Services/Economic Development Interim  
Legislative Committee  
Grand County Council  
Salt Lake Convention & Visitors Bureau  
Salt Lake Department of Airports  
Park City Chamber/Bureau  
Golden Spike Empire Travel Region  
Garfield County Travel Council  
Institute for Outdoor Recreation & Tourism (USU)  
Four Corners School of Outdoor Education  
Wayne County Travel Council  
Price Small Business Development Center  
Kane County Office of Tourism & Film Commission  
Carbon County Travel Bureau  
Utah Heritage Industry Alliance  
Utah Cultural Alliance  
Carbon County Chamber of Commerce



# Tourism Is About Economic Development...





# ...and Showcasing Our Quality of Life





*Working together we can make that forever moment!*

